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### MATERIAL FOR CONGRESSIONAL HEARING ON HR 12923

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I N T R O D U C T O R Y   R E M A R K S

Mr. Chairman, it is a pleasure to appear here today. As you have been told, Mr. McCone is away for a few days to take some leave and for other activities, so I am appearing as the Agency's representative on HR 12923.

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With me today are [REDACTED] now Special Assistant to the Director of Central Intelligence but who for many years in the past was concerned with directing our clandestine services effort; [REDACTED] 25X1A our Director of Personnel; and [REDACTED] our Legislative Counsel.

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EXPLANATION AND JUSTIFICATION

To Accompany H.R. 12923, To Amend  
The Central Intelligence Agency Act  
Of 1949, As Amended, And For Other Purposes

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The remainder of this first page of text discusses the legislative means of accomplishing this. Unless you have some questions on this, I would like to go on to page 2.

EXPLANATION AND JUSTIFICATION

(Note: Bracketed portions only are classified.)

1. Purpose of Proposed Bill

a. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly motivated careerists who are intensively trained in unique skills. However, the Agency is unable in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for a limited number of Agency employees.

b. Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in a single Title of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, which is entitled "The Foreign Service Retirement and Disability System," it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency employees the authority available to the Secretary of State for the purpose of having Agency employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

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## 2. Problem

All regular employees of the Central Intelligence Agency are at present covered by the provisions of the Civil Service Retirement Act. Such coverage is appropriate for those whose conditions, obligations, and terms of service are comparable to those of federal employees generally. However, the Agency has a serious problem in its need to make more adequate provision for certain of its employees who should be retired at an earlier age and with a more equitable annuity than can be provided under the Civil Service Retirement Act. This need stems from the fact that the Agency cannot provide to or expect from many individuals in its service a full-term working career of thirty or so years.

## 3. Background

a. The conditions underlying this situation are complex. For some years, the Agency has recognized that it faces a serious dilemma. On the one hand, the nature of its mission requires the employment of people who are highly motivated and who develop unique and specialized abilities through their continuing training and service over the years. Moreover, the nature of the Agency's mission requires that a substantial proportion of its personnel accept, as do members of the military services and the Foreign Service, the obligation to serve anywhere in the world at the Agency's direction---not at their own will---and to be available for duty on a 24-hour-a-day basis. In sum, the employment of people to serve on a career basis is essential to fill the majority of the Agency's requirements for personnel. On the other hand, factors directly related to the nature and conditions of service in the intelligence field and factors affecting the ability and desire of individuals to remain in such work on a long-term basis make it infeasible to provide full-term employment for all careerists.

b. The nature of the work involved in the Agency's operations requires people who have a high degree of vigor, vitality, endurance, resilience, and adaptability. Such traits are required to cope with the stresses and strains occasioned by uneven and uncertain hours and days of work, duty in unhealthy locations with less than adequate medical facilities, or arduous, and not infrequently hazardous, assignments. [For example, the responsibility of the Agency for covert cold war functions and continuance of counter-insurgency activities requires the Agency to employ numbers of individuals whose skills are not necessarily adaptable to full-term careers.]

c. [There is a further requirement that officers serving overseas must normally perform their work under the cover of employment with some other organization, a requirement which limits their long-term utility. The usefulness of an officer is seriously impaired if not destroyed if his true employment affiliation is revealed. However, the longer he serves under cover, and particularly if his cover must be changed in the course of moves from one post to another, the greater becomes the risk that his true affiliation will be inadvertently revealed to or inferred by hostile parties.

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Finally, since most positions in cover organizations which can be made available for the Agency's use are those which would normally be manned by junior personnel of the host organization, it is difficult to find appropriate cover for any substantial number of officers of middle-age or over.

d. There are other factors pertaining to the individuals themselves which, over the years, limit their ability and desire to continue in overseas service. First, there is "motivational exhaustion." This term is used to describe a gradual lessening of interest and enthusiasm of an officer as a result of impingements on his personal and family life. These stem from the transient nature of his assignments, the complications and restrictions of security requirements, and intrusions on his family life [occasioned by the requirement that he spend his apparent "leisure time" in performing additional Agency duties after completing his cover workday]. Further, while all Agency employees are subject to security restrictions which place severe limitations on their personal freedoms, employees serving abroad are subject to even greater restrictions [and, in addition, must conduct their personal affairs in a manner consistent with their cover employment]. These factors tend to lessen the enthusiasm and willingness of the family to accompany the officer on further assignments overseas. Lastly, our experience has shown that many employees or members of their families will in time incur physical impediments which limit or preclude further assignment overseas.

e. The dynamic nature of intelligence activities produces sudden and sometimes radical shifts in the types of personnel required. Completion of a mission of a temporary nature or a shift in emphasis or direction of operations may result in an overabundance of officers who are skilled in a relatively narrow field. Their primary qualifications thus become obsolete or unneeded and they become "occupationally surplus."

#### 4. Manpower Control

a. The Agency finds it increasingly necessary to impose manpower controls to ensure appropriate alignment as to age, qualifications, and other characteristics of its employees [engaged in conducting or supporting foreign intelligence operations]. Insofar as possible, imbalances should be and are corrected by the reassignment of officers who cannot or should not continue in such work to other fields of work in the Agency. It is a certainty, nonetheless, that encouraged and induced attrition will be necessary. A program of managed attrition, however, is feasible only if it is linked with a system of retirement benefits which are sufficient to induce an employee or a prospective employee to take the risk that he may be one of those individuals who cannot serve a full-term career.

b. The seriousness of this risk to the individual is greatly augmented by the difficulty which he will encounter in effecting a transfer from intelligence activities to other government or commercial fields. The principal reason for this is that the special skills required for intelligence work are not ordinarily required in other fields. Other reasons are the inability of employees for security reasons to describe or confirm to a prospective



Small copy of chart  
at Tab 3.7

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EXPLANATORY NOTES FOR CHART: COMPARISON OF PRINCIPAL PROVISIONS OF THE  
CIVIL SERVICE AND FOREIGN SERVICE RETIREMENT SYSTEMS

1. EMPLOYEE CONTRIBUTION: The employee's contribution is the same under either system.
2. MAXIMUM ANNUITY: Civil service permits 80% of base pay. This results from 41 years 11 months of service. Foreign Service permits 70% of base pay which results from 35 years of service. The lower limit under Foreign Service is not significant since our entire emphasis is shortening total length of service.
3. FORMULA FOR COMPUTING ANNUITY: The Foreign Service system uses a straight 2% formula. Under civil service, the formula is 1 1/2% for the first 5 years, 1 3/4 for the second 5 years, and 2% thereafter. You will note that the civil service system requires a reduction in annuity for each year under 60. This amounts to 15% at age 50. The Foreign Service system has no such reduction.
4. MANDATORY RETIREMENT: Generally, the Foreign Service mandatory retirement age is 60, which is 10 years below that of the civil service system.
5. DISCONTINUED SERVICE/SELECTION OUT: While both systems have an age 50 with 20 years of service feature, as I have explained, there is a substantial increase in the amount of annuity under the 2% Foreign Service formula due to the fact that there is no actuarial reduction for age. In addition, Foreign Service Officers in Classes 1, 2, and 3, with 5 years of service, receive an immediate annuity regardless of age. When ineligible for an immediate annuity, officers in Classes 4 through 7 receive separation compensation.

The remaining features are generally comparable, however under the Foreign

Service system a deferred annuity begins at age 60.

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employer the scope and level of his duties and responsibilities. Further, there is a reluctance on the part of other employers, both government and private, who are engaged in business overseas to hire a former intelligence officer. This reluctance stems from their concern that the attitudes of foreign officials toward their enterprises might be adversely affected if they were known to employ former intelligence officers.

c. As part of its manpower control program, the Agency has instituted administrative procedures for identifying employees who become surplus to its needs because of the several factors described above and has recently engaged in an exercise which will result in the separation of approximately 150 such individuals. This process was made the more painful because of the relatively inadequate assistance which the Agency could offer those separated in making occupational transfers or in retiring prematurely. The benefits available were limited to those provided under the discontinued service provisions of the Civil Service Retirement Act and to modest separation compensation payments from the Agency which are related to years of service and salary.

#### 5. Proposed Retirement System

a. In order to minimize the adverse effects of such programs on the Agency's ability to recruit and retain the caliber of personnel needed, and particularly to minimize their effects on the dedicated personnel already in the service of the Agency, better provision must be made for the futures of those individuals who are separated before completing a full-term career. An important means for doing so is to establish a retirement system permitting earlier retirement with a more nearly adequate and equitable annuity than is possible under the civil service retirement system. The Foreign Service system is more suitable for those Agency employees whose careers have involved comparable conditions of service. Appendix A compares the pertinent provisions of the Foreign Service and the civil service retirement systems. This chart is based on a similar chart appearing in the Report of the House Committee on Foreign Affairs in the 2nd session of the 86th Congress. It was prepared at that time in connection with proposed amendments to the Foreign Service Act of 1946, as amended, relating to the retirement system which proposals were subsequently enacted into law.

##### ← CHART

b. Aside from the additional special requirements applicable to Agency employment, employees who serve overseas are subject to essentially the same conditions of service which were the basis for the development of the Foreign Service retirement system. By adopting a system corresponding to the Foreign Service system, the Agency can take advantage of the considerable study and experience which have gone into its development. [It is pertinent that more than 1,500 Agency employees are in fact serving under Foreign Service cover and are exposed to precisely the same conditions of service.]

c. Such a retirement system would not be appropriate for all Agency employees and it is not the Agency's intention in requesting authority to

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[ Small copy of chart  
at Tab 4. ]

EXPLANATORY NOTES

FOR CHART:

APPLICATION OF NEW RETIREMENT SYSTEM TO AGENCY POPULATION

This chart shows the estimated number of Agency employees who would be affected by this system and those that would not.

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Of a total strength of roughly [REDACTED] some [REDACTED] would have the potential for meeting the eligibility criteria of the new retirement system.

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We currently have [REDACTED] employees overseas.

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Of the [REDACTED] potentially eligible, we estimate that a maximum of [REDACTED] will eventually qualify and retire under this system. The [REDACTED] difference results from failure to qualify and from attrition.

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Based on these figures, you can see that only approximately 30% of our employees will participate in this system.

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establish such a system to apply it to all. The employees who are to be designated for coverage under this system will undergo a rigid selection process. The essential criteria for coverage under the proposed retirement system would be as follows:

(1) Career employees whose duties and responsibilities are predominantly concerned with the conduct and support of intelligence operations in foreign countries [or with covert support in the United States of such operations under comparable conditions].

(2) Career employees whose duties are so specialized that they are placed at a special disadvantage when required to seek other employment.

6. Estimated Number of Employees under Proposed System

a. [The careers of more than ██████ employees are directly oriented to intelligence operations abroad. At any moment in time, approximately ██████ are serving abroad while the balance are at headquarters as replacements.] It is estimated that a maximum of only 30% of [or ██████] Agency employees will qualify for coverage under the new system; civil service retirement will remain the retirement system for all other employees.

← CHART

b. Normally, we would anticipate that an average of about 27 of these employees would become eligible for optional retirement under the civil service retirement system during each of the next five years. For the reasons presented in justification of our need for a retirement system comparable to that of the Foreign Service, and to correct imbalances in the age make-up of this group, we would hope, under the new system, to increase the average number of retirements from this group by about 40 in each of these years. During the past year the average age of Agency personnel who retired under the civil service retirement system was 66. We hope, in time, to lower the average retirement age of those under the new retirement system to about 55 years which is comparable to the average retirement age in the Foreign Service.

7. Cost Estimates OMT: Alternative text on next page.

a. There will be certain increased costs for the administration of the retirement system. For reasons of efficiency and security, it is considered essential that full administration of the program excluding maintenance of the fund by the Department of the Treasury (as required by law in the case of the Foreign Service Retirement Fund) be accomplished within the Agency. It is estimated that by the end of the first five years the administration of the proposed program would cost approximately \$80,000 per year with an increase of approximately eight man years. Internal administration of the program would include determinations of eligibility and entitlements, payment of retirement benefits, and all related administrative matters.

[Alternative Text on Cost Estimates]

With your permission, I will deviate from the formal text of the explanation again at this point and merely summarize the paragraphs on cost estimates. If you have questions on the details, I shall of course be glad to try to answer them.

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We estimate that, when our proposed retirement program is fully developed, the maximum additional cost to the Government would be [REDACTED] million annually if it were fully and currently funded. However, it has not been the practice of the Government to fully fund its retirement programs and actual appropriation costs to CIA would be substantially less. We have calculated the additional annuity payout cost for the next five years at \$563,640. This is based on an estimate of 67 people retiring each year at an average additional annuity cost of \$671 each.

These costs would be substantially offset by the fact that there is a considerable time lag in the chain of recruitment, reassignment, and promotion actions which would result from these retirements.

As a final cost factor, we estimate that the cost to the Agency of administering this program will increase over a five-year period and level off at about \$80,000. This amount consists of the salaries and related costs for eight employees.

[Skip Appendix A and turn to Tab 2 for additional remarks and examples.]

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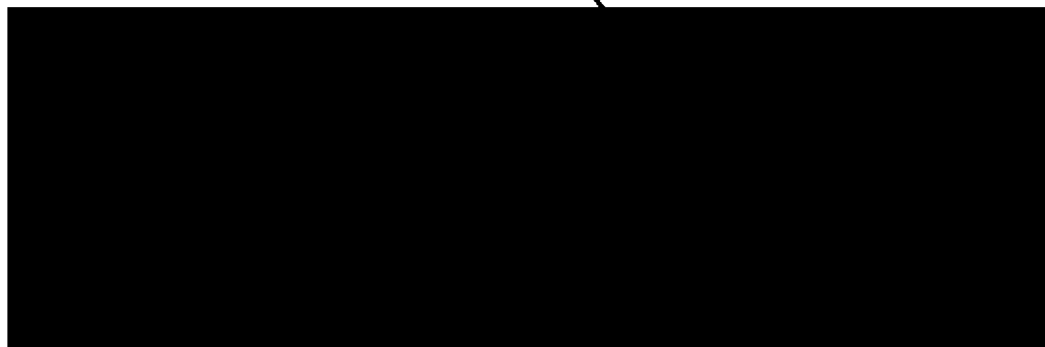
OMIT: Pick up at Tab 2.

b. Program costs cannot be estimated with comparable precision. Nevertheless, reasonably valid estimates have been made on the basis of actuarial experience of the civil service and Foreign Service systems. Based on the cost differential of the differing benefits of the two programs and applying it to the estimated maximum of [REDACTED] eligible for the proposed retirement system, we compute that a maximum additional Government contribution of \$4.6 million annually would be required. However, it has not been government practice for many years to fully fund its retirement programs. Further, there have been special charges against the Foreign Service Retirement Fund which go beyond the basic benefits of the proposed CIA system.

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c. A more realistic estimate can be made of the increased payout in basic annuity benefits under the proposed system over the civil service retirement system for the next five fiscal years. The estimate assumes a target rate of 67 retirements per year. Other assumptions, based upon manpower studies and age and grade characteristics of the eligible group, contemplate an average retirement age of 55 years with 25 years of service and an average high-five salary of \$11,000 (about the second step of grade GS-13). Basic annuities computed under the new system would be \$5,500 as against \$4,829 under the civil service system. The difference of \$671 applied to the estimated average of 67 retirements per year would result in the following total increased annuity payments for the years shown:

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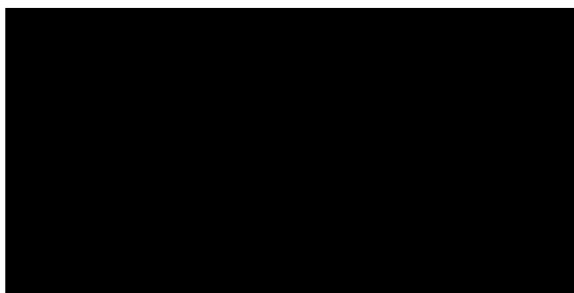


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The chain of recruitment, reassignment, and promotion actions created by this annual retirement of officers would result in a considerable lapse in salary expenses. Assuming an average lag of six months in this process, the reduction of expenditures would approximate \$2,300 per retirement and would total approximately [REDACTED] over a five-year period. This amount would almost offset the estimated increase in annuity payments for the first five years that the new system was in operation.

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APPENDIX A

COMPARISON OF FOREIGN SERVICE RETIREMENT  
AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS  
OF THE CIVIL SERVICE RETIREMENT SYSTEM

# COMPARISON OF FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM\*

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
A. Coverage.....	Government employees generally, unless temporary, intermittent or subject to another Federal retirement system.	All FSO's, plus non-FSO's who have served as chiefs of mission for an aggregate period of 20 years or more; Foreign Service Staff (FSS) officers and employees with 10 or more years of continuous service in the Foreign Service.	803	Most Staff officers and employees and Foreign Service Reserve officers are presently covered by CSR.
B. Contributions:				
1. Compulsory.....	6 1/2 percent of employee's basic salary. Agency contribution of 6 1/2 percent of employee's basic salary.	6 1/2 percent of employee's basic salary. Agency contribution of 6 1/2 percent of employee's basic salary.	811	FSR same as CSR.
2. Voluntary.....	Maximum 10 percent of total basic salary received since Aug. 1, 1920. Payable in multiples of \$25.	Maximum of 10 percent of total basic salary received since July 1, 1939. Payable in multiples of 1 percent.	-----	Do.
C. Benefits:				
1. Annuity.....	<i>Annuity.</i> —Based on high 5 average years of salary 1 1/2 percent times 5 years, plus 1 1/2 percent times next 5 years, plus 2 percent times all years over 10 years of creditable service. Annuity not to exceed 80 percent of high 5 average salary.	Based on high 5 average years of salary 2 percent times total number years creditable service not to exceed 36 years.	821	CSR provides maximum 80 percent high 5 average. FSR provides maximum 70 percent high 5 average.
2. Reduced annuities.....	Reduced annuity with benefits to widow or widower. Corresponding benefits to each dependent child.	Surviving children, widowers, and dependent widowers may be included as survivor annuitants.	804	FSR provides survivorship benefits comparable to those of CSR.
3. Survivor annuities:				
(a) Married participant....	<i>Basic general formula.</i> —Widow or widower (if survivor annuity elected by retiring employee): 1/2 of all or whatever portion of earned annuity specified as base. Annuity terminates on death or remarriage.  Employee's annuity reduced by 2 1/2 percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.  Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: 1/2 average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser. Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	Widow or widower (if survivor annuity elected by retiring employee): 1/2 of all or whatever portion of earned annuity specified as base. Annuity terminates only on death of widow or widower.  Employee's annuity reduced by 2 1/2 percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.  Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: 1/2 average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser. Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	821	Important difference in the FSR provision is that the annuity of a surviving widow or widower terminates only on death of such survivor.
			-----	FSR same as CSR.
			-----	Do.
			-----	Do.
			-----	Do.

\* INFORMATION TAKEN FROM CHART ENTITLED "COMPARISON OF MAJOR PROPOSED CHANGES IN THE FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM" APPEARING IN HOUSE OF REPRESENTATIVES REPORTS NOS. 1890 AND 2104, 86TH CONGRESS, 2D SESSION, FOREIGN SERVICE ACT AMENDMENTS OF 1960.



(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
C. Benefits—Continued				
(b) Unmarried participant.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Person in whom annuitant has insurable interest (if survivorship and reduced annuity elected): $\frac{1}{2}$ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor annuity continues for life.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Designated beneficiary: $\frac{1}{2}$ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor's annuity continues for life.	821	FSR does not require that the designated beneficiary have an insurable interest.
4. Death in service: (a) Widow-widower.....	Widow or dependent widower: $\frac{1}{2}$ of participant's earned annuity payable until death or remarriage or until widower becomes capable of self-support.	Widow or dependent widower: $\frac{1}{2}$ of participant's earned annuity payable until death of surviving widow or dependent widower or until dependent widower becomes capable of self-support.	832	FSR provides continuation of widow's annuity until death and allows the survivor to receive the annuity based on at least 20 years of service.
(b) Children:	Children: A surviving wife or husband: 40 percent average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: $\frac{1}{2}$ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: $\frac{1}{2}$ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	832	FSR same as CSR.
5. Disability retirement.....	After 5 years of civilian service: Same as full age and service benefit. (Guaranteed 40 percent of average salary or annuity projected to age 60 whichever is lesser.)	Excludes from initial 5 years' free credit granted for military service for which no contribution has been made to the fund. Limits amount of extra service credit that can be accredited to a disability annuitant to the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service.	831	FSR same as CSR.
	Elective survivor benefits based on actual years of service credit.	Elective survivor benefits based on service credit upon which participant's annuity is computed.	831	FSR provides minimum service credit of 20 years or difference between age of participant at time of retirement and mandatory retirement age, whichever is lesser.
(a) Tax exemption.....	No provision.....	Exempts disability annuity from Federal income tax.	51	FSR provides tax exemptions.
(b) Bar to double annuity	If receiving disability compensation under Federal Employees' Compensation Act, Sept. 7, 1916, is not eligible for annuity for same period but not barred from greater benefit of either act. Also is not barred from receiving annuity under this act by reason of own services while receiving concurrently any payment under Federal Employees' Compensation Act by reason of death of some other person. If awarded lump sum under sec. 17 of FEC, amount covering period beyond effective date of annuity must be refunded to U.S. Employees' Compens-	Same as civil service.....	831	FSR same as CSR.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
<b>C. Benefits—Continued</b>				
6. Discontinued service retirement.	ation Commission or be deducted from annuity payments for that purpose. Deferred annuity payable at 62 if separated employee has 5 years of civilian service credit.	Deferred annuity payable at age 60 if separated employee has 5 years of civilian service credit.	834	FSR provides payment of deferred annuity at age 60.
7. Disposition of contributions in excess of benefits received.	If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.	If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.	841	FSR aligns precedence provisions with those of CSR.
<b>D. Creditable service:</b>				
1. Leave without pay.....	Includes: Leave of absence without pay granted during covered employment while performing active honorable military service;	Includes: Leave of absence for active military or naval service.	851	FSR same as CSR.
	Leave of absence without pay granted during covered employment while receiving FEC benefits;	Includes leave of absence granted during covered employment while receiving FEC benefits.	-----	Dc.
2. District of Columbia employment.	Civilian employment with District of Columbia government.	Includes civilian employment with District of Columbia government.	852	Dc.
3. Transfer of funds.....	No provision.....	Provides for direct transfer to FSR fund of all regular contributions (with interest) made by officer or employee to other Government retirement system under which previously covered. Funds transfer discharges other system of all benefit obligations based on service involved.	852	At present persons becoming participants in FSR system may purchase prior service credit by making a special contribution to FSR fund for such amount of service credit as they elect to purchase. The new provision provides for the automatic transfer of contributions in another Government system to the FSR fund when a person becomes a participant in the FSR system by transfer from other Government service.
<b>E. Officers recalled or reinstated.....</b>	No provision exactly comparable.	Recomputation of annuity of an officer recalled in the Service and retired a second time.	871	
<b>F. Reemployment of annuitants.....</b>	Any annuitant reemployed after retirement for age or based on voluntary separation or an involuntary separation for cause, or if retired for disability and is age 60 or over at the time of reemployment, retains his full annuity, but the salary of his position must be reduced by the amount of annuity received.	Provides that reemployed Foreign Service annuitants receive full salary of the position appointed plus portion of their annuity which when added to the base salary would equal the base salary received at time of retirement from the Foreign Service.	872	FSR provides for potential higher combined income for reemployed Foreign Service annuitants and provides authority to reemploy FSO retired for age.

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CONCLUDING REMARKS AND EXAMPLES

That, Mr. Chairman, completes the formal statement of Explanation and Justification.

I would like to comment briefly on the importance and urgency of this proposal. During his periodic briefings of the CIA Sub-committee of this Committee, Mr. McCone has discussed the reviews being conducted of Agency organization and management processes. We have both had ample opportunity to observe the people in the Agency. We have been deeply impressed by their outstanding competence and dedication. Moreover, in the brief time that I have been with CIA, I have been convinced that there are very few jobs elsewhere in Government or industry where individuals carry the weight of personal responsibility that they bear in CIA and where the consequences of error are so potentially disastrous to the nation.

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Now I would like to ask Mr. [REDACTED], who has been in this intelligence business for about <sup>heavily 20</sup> 19 years to give you just a few examples of the situations in which our people find themselves.

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Introductory Statement

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Whatever the predicament, the unifying bonds among all the Agency's personnel abroad are: first, an intensive preoccupation with securing access to secret information which has a bearing on U. S. intelligence requirements, U. S. internal security, the security of U. S. operations, installations and personnel outside the country, and the advancement of U. S. interests and objectives by political and psychological action; secondly, they all undergo stresses and tensions, both psychological and physical, which permeate secret operational activity at all times.

(continued)

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The cases which follow have been selected to illustrate these elements in the performance of assigned duties abroad by CIA operatives. In certain instances, place settings and chronology have been changed to obviate a security risk to still current operational interests, otherwise, the details and facts hew closely to the official record.

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S-E-C-R-E-T

Case No. 13

Subject, a training instructor at a training site in the United States, was engaged in salvaging thermite from incendiary grenades for a sabotage demonstration. The incendiary mixture became accidentally ignited and subject endeavored to move the receptacle of flaming material away from a building in which high explosives were being processed. The burns subject received resulted in his death.

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S-E-C-R-E-T

Case No. 16

A GS-11 Audio Support Specialist who conducts countermeasure inspections at Agency installations in this country and abroad. Also gives technical security briefings to staff employees on the threat of hostile audio surveillance. Has been engaged in such technical, esoteric activity for about 6 years. During this period he has served overseas, PCS for only 2 years but he has also been required to make extensive and lengthy TDY visits to various areas of the world.

The nature of this officer's work is such that he is required to travel extensively, is denied opportunities for a stable tour overseas, has limited breadth of career opportunity, and would be at a great disadvantage in attempting to transfer his skills and training to other vocational fields.

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Case No. 22

This case pertains to illness of a family while serving overseas.

This officer and his family had been stationed overseas in various areas of the world during which the family suffered amebic dysentery, food poisoning, and an unknown allergy causing the body to break out in blisters and cysts to develop in the intestines. One child nearly died due to dehydration caused by constant diarrhea plus an increased frequency of the normal ailments. In addition, the pressures of these illnesses together with other factors connected with overseas living were contributing causes of the nervous breakdown of the wife which will necessitate prolonged psychiatric treatment. The wife's nervous breakdown resulted in the recall of the officer prior to completion of his overseas tour.

The long-range significance relative to the career utilization of this individual officer and numerous others with similar personal or family health impediments is not yet known. An excessive number of such employees of limited utilization would require corrective action.

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Case No. 24

This case pertains to the physical incapacitation of the wife of an officer serving overseas.

The wife of this officer, while overseas at a hardship post, contracted an amebic abscess of the liver. This disability severely restricts the locations to which this family may now be assigned overseas and limits his utilization and career development within the DDP. In addition, his family life has been entirely changed because of the care and attention which must hereafter be devoted to the wife.

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[Small copy of chart  
at Tab 3.]

S-E-C-R-E-T

EXPLANATORY NOTES FOR CHART: COMPARISON OF PRINCIPAL PROVISIONS OF THE  
CIVIL SERVICE AND FOREIGN SERVICE RETIREMENT SYSTEMS

1. EMPLOYEE CONTRIBUTION: The employee's contribution is the same under either system.
2. MAXIMUM ANNUITY: Civil service permits 80% of base pay. This results from 41 years 11 months of service. Foreign Service permits 70% of base pay which results from 35 years of service. The lower limit under Foreign Service is not significant since our entire emphasis is shortening total length of service.
3. FORMULA FOR COMPUTING ANNUITY: The Foreign Service system uses a straight 2% formula. Under civil service, the formula is 1 1/2% for the first 5 years, 1 3/4 for the second 5 years, and 2% thereafter. You will note that the civil service system requires a reduction in annuity for each year under 60. This amounts to 15% at age 50. The Foreign Service system has no such reduction.
4. MANDATORY RETIREMENT: Generally, the Foreign Service mandatory retirement age is 60, which is 10 years below that of the civil service system.
5. DISCONTINUED SERVICE/SELECTION OUT: While both systems have an age 50 with 20 years of service feature, as I have explained, there is a substantial increase in the amount of annuity under the 2% Foreign Service formula due to the fact that there is no actuarial reduction for age. In addition, Foreign Service Officers in Classes 1, 2, and 3, with 5 years of service, receive an immediate annuity regardless of age. When ineligible for an immediate annuity, officers in Classes 4 through 7 receive separation compensation.

The remaining features are generally comparable, however under the Foreign

Service system a deferred annuity begins at age 60 rather than 62.

# COMPARISON OF PRINCIPAL PROVISIONS OF THE CIVIL SERVICE AND FOREIGN SERVICE RETIREMENT SYSTEMS

	Civil Service	Foreign Service
EMPLOYEE CONTRIBUTION	6 1/2% Base Pay	6 1/2% Base Pay
MAXIMUM ANNUITY	80% Base Pay	70% Base Pay
FORMULA FOR COMPUTING BASIC ANNUITY	1st 5 years - 1 1/4% of "high 5", plus Next 5 years - 1 3/4% of "high 5", plus Each additional year - 2% of "high 5"	2% of "high 5" times years of service
ACTUARIAL REDUCTION	1/12 of 1% for each of the first 60 months under the age 60 and 1/6% for each additional month over 60 months under age 60	None
MANDATORY RETIREMENT	Age 70 with 15 or more years service	Age 60
OPTIONAL RETIREMENT	Age 62 with 5 years service Age 60 with 30 years service Age 55 with 30 years service (immediate annuity with actuarial reduction)	Age 50 with 20 years service (immediate annuity)
DISCONTINUED SERVICE/SELECTION OUT	Any age with 25 years service Age 50 with 20 years service (immediate annuity both with actuarial reduction)	Age 50 with 20 years service (immediate annuity) Classes 1, 2 & 3-immediate earned annuity-any age with 5 years service. Classes 4-7-separation compensation at the rate of one month's pay per year of service up to one year's pay and deferred annuity at age 60.
DISABILITY RETIREMENT	Five years civilian service. (Minimum - Lesser of 40% of high-five or extension of service to age 60 using basic formula.)	Five years civilian service. (Minimum - Lesser of 40% of high-five or extension of service to age 60 using basic formula.)
RESIGNATION PRIOR TO ATTAINING ELIGIBILITY FOR ANNUITY	Deposits refunded or receipt of a deferred annuity at age 62.	Deposits refunded or receipt of a deferred annuity at age 60.
ELECTIVE SURVIVOR BENEFIT	A survivor annuity can be provided to children, the widow or widower with reduction to basic annuity of insured. Terminates on death or remarriage. An unmarried person may designate a beneficiary, having an insurable interest.	A survivor annuity can be provided to children, the widow or widower with reduction to basic annuity of insured. Terminates only on death. An unmarried person may designate any beneficiary.
SOCIAL SECURITY PARTICIPATION	None	None

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[Sma ( copy of chart at Tab 4.]

EXPLANATORY NOTES

FOR CHART:

APPLICATION OF NEW RETIREMENT SYSTEM TO AGENCY POPULATION

This chart shows the estimated number of Agency employees who would be affected by this system and those that would not.

Of a total strength of roughly [REDACTED] some [REDACTED] would have the potential for meeting the eligibility criteria of the new retirement system.

We currently have [REDACTED] employees overseas.

Of the [REDACTED] potentially eligible, we estimate that a maximum of [REDACTED] will eventually qualify and retire under this system. The difference results from failure to qualify and from attrition.

Based on these figures, you can see that only approximately 30% of our employees will participate in this system.

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S-E-C-R-E-T

Question No. 1

QUESTION: Why are you adopting the Foreign Service Retirement system rather than developing one of your own?

ANSWER: The Foreign Service system is a proven system that seems adaptable to our needs. We are comparable in many respects. By adoption we can keep pace with the Foreign Service in the future if their Act is amended.

Also, by utilizing an existing system, we avoid creating an additional system to add to the several already in effect in the Federal service.

S-E-C-R-E-T

Question No. 2

QUESTION: Will you please amplify on your need for this program now, 15 years after the creation of your Agency?

ANSWER: We are just beginning to encounter problems in staffing our overseas operational positions as a result of growing numbers of personnel being restricted in mobility and assignability as a result of physical impediments, age, family problems, and occupational limitations. We therefore aim to use the proposed program as another means to balance the composition of our operational corps so that we can staff effectively our overseas positions.



S-E-C-R-E-T

Question No. 3

QUESTION: You have made quite a case for a retirement program for your overseas people and you present it with a note of urgency. Your Agency has been in existence 15 years, however, and I wonder why wasn't this problem presented to the Congress earlier?

ANSWER: This proposal results from manpower studies we have been making over the past few years which have convinced us that we face serious problems of manpower imbalance in future years unless we plan now a program of managed attrition. We have recently conducted an exercise to separate some 150 surplus personnel and this exercise has proven the need for a better retirement program comparable in annuity benefits with that of the Department of State or the military services to make such a program morally and psychologically acceptable.

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Question No. 4

QUESTION: What is the basic reason you want this legislation?

ANSWER: Basically, so that we can offer a more attractive and equitable career package to employees engaged in intelligence operations and can manage our attrition more effectively than is possible today. This will also aid us in reducing attrition among those we do not want to lose. It will, finally, permit us to increase our promotion rates where they should be increased by providing adequate headroom.

S-E-C-R-E-T

Question No. 5

QUESTION: The Foreign Service Retirement and Disability System is applicable to members of the Foreign Service Officer Corps, and to those Foreign Service Staff officers and employees who have 10 or more years of service. This is well defined. How do you plan to define the extent to which you will apply this system within your Agency?

ANSWER: We realize this gives us a more difficult administrative problem than the Foreign Service has. However, the Director will promulgate clear and precise regulations on this matter. Our entire effort will be directed toward identifying the hard corps of personnel whose careers are in fact concerned with foreign intelligence operations.

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Question No. 6

QUESTION: Do you anticipate a morale problem within your Agency due to the fact that you will apply this program to some persons and not to others?

ANSWER: No. The lines of applicability are rather clearly drawn on a logical basis, and we anticipate complete success in establishing criteria and procedures to identify those eligible.

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Question No. 7

QUESTION: How will we equate CIA GS-salary schedule to Foreign Service for payment of separation benefits?

ANSWER: Details of administration not worked out. Probably will equate the dollar salaries at median of each grade range.

S-E-C-R-E-T

Question No. 8

QUESTION: Since the annuity for those retiring between the ages of 50 and 55 is rather low, even under the Foreign Service system, considering the expenses of the average person at that age, how do you foresee that this will materially relieve your problem?

ANSWER: First of all, the Foreign Service annuity is considerably better than civil service. In addition, the reemployment features of the Foreign Service system are better in that an annuitant who is reemployed elsewhere in the federal service may retain that portion of his annuity which, together with his new salary, does not exceed the amount of his salary rate at the time of retirement. Lastly, we do not anticipate that many people will cease to be gainfully employed after retirement at ages of 50 to 60. We do feel that they must initially have the financial security of a reasonable annuity and we anticipate that subsequent employment will necessarily and most likely be at lesser salary levels.

Question No. 9

QUESTION: Why is the Agency willing to accept a reduction in maximum annuity from 80% to 70% for employees who are placed under the proposed new system?

ANSWER: Very few, if any, will ever achieve over 35 years of service. The loss of benefit is negligible or non-existent relative to more important benefits of the Foreign Service retirement system for the group of employees to be covered.

S-E-C-R-E-T

Question No. 10

QUESTION: Will you amplify on the nature of the obligation of your careerists for service at the Agency's discretion?

ANSWER: Each Agency employee is, for purposes of career management and development, a member of a "career service" which represents a broad area of vocational specialization. Those career services which embrace overseas activities have service obligations (including the obligation to serve anywhere in the world and at Agency direction) to which each member thereof is subject. Refusal to so serve without reasonable and acceptable justification is and has been grounds for dismissal.

S-E-C-R-E-T



S-E-C-R-E-T

Question No. 11

QUESTION: Could you comment further on your statement that you require people who are highly motivated with unique and specialized abilities?

ANSWER: We need people who are patriotic and who have a real interest in international affairs. They must have a sufficiently strong desire to serve their country to be willing to work under the conditions that I have described; they must be willing to live in anonymity and relative obscurity and to forego the public recognition that accompanies success in many other fields of work; and they must be willing to accept a lower ceiling on their economic career expectations than in non-governmental fields.

Concerning the point on unique and specialized abilities, I might point out that the tradecraft of intelligence operations is not taught in our universities nor can it be acquired in civilian commercial enterprise.

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Question No. 12

QUESTION: You are seeking early retirement and you have considerable justification to back up your request; however, you have said nothing regarding a program comparable to the Foreign Service's selection out program. What is your plan?

ANSWER: We clearly anticipate the need for a managed attrition program. We have not yet developed the details of such a program.

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Question No. 13

QUESTION: Will this result in a reduction of ceiling directly proportionate to the number separated?

ANSWER: No! This is not a cut-back. We need additional young people and have already planned an increased staffing in the entrance age categories.

S-E-C-R-E-T

Question No. 14

QUESTION: Will you be more specific about the requirements for vigor, vitality, endurance, etc.?

- ANSWER:
- a. Many assignments are inherently highly physical - paramilitary activities, for example. Employees engaged in such work frequently live and work intimately under the most primitive conditions of hardship in providing training, support, and leadership to political factions being supported in accordance with U. S. policy.
  - b. Regularized hours and days of duty are incompatible with major segments of operational activities. Late hours of work are an intrinsic requirement when activities must be conducted under the concealment of darkness or camouflaged in the guise of social activities. Aside from this, the further requirement to perform a cover job during normal working hours necessitates the conductive of clandestine activities at other times.
  - c. The Agency has [REDACTED] installations ranging 25X1A from one-man stations to a few of considerable size. A substantial number of these posts are in unhealthful, remote, uncivilized, and poorly equipped areas of the world. In recognition of these conditions, the Agency has found it necessary to require exceptionally high standards of physical health and mental stability for those who will be assigned to such areas.

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Question No. 15

QUESTION: You have made an interesting statement about the reluctance of other employers to hire "former spies." Could you give us some examples?

ANSWER: The U.S. Government provides one of the best examples in the Peace Corps. They are most anxious that there be no occasion for the impression that the Peace Corps might conceivably be used as cover for an intelligence agent.

Commercial enterprises with overseas offices and installations are another example. These companies need good relations with the local governments, obviously, and cannot run the risk of having their activities discredited by suspicion that they are being used as cover for espionage.

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Question No. 16

QUESTION: You have indicated that there were several areas in which your personnel program was deficient and that you are working on them. You have mentioned specifically the matters of retirement and supergrades. What are some of the other areas involved and what are you doing about them?

ANSWER: One of the improvements which we have already accomplished is on our efficiency reports. We felt that they were not as useful as they might be and have just adopted a new system of reporting and for evaluating the reports. At the same time, we are taking various steps to impress on supervisors the need to be both frank and accurate in these reports.

The matter of pay for scientific and technical personnel is another area of concern. I believe that we are one of only a few agencies which does not now have a special pay system for these people. We are working on this now but our plan is not specific enough to describe in detail as yet.

Also, we have appointed a task force to look at our personnel program and they are coming up with some recommendations for action. By and large, I think the areas in which we want to work are in improving supervisory practices, in developing a better career planning system, and in enlarging our personnel services and recognition programs.

Question No. 17

QUESTION: You have explained to us why it is necessary for you to have a program of managed attrition and how you propose to use early retirement as one of your mechanisms for handling your manpower problems. Can you tell us about some of the other steps you have taken or contemplate?

ANSWER: The exercise which I mentioned regarding the separation of surplus personnel is one example. It was in large part as a result of the impact of this action in a number of individual cases that I was convinced that we should seek prompt action to provide better for the people who must be separated before they have worked a full career span.

Also, for the past few years, we have followed the practice of encouraging our people to retire as soon as they are eligible to do so. Generally this means that they retire when they reach age 60 if they have 30 years of service or at age 62 if they have 5 years of service. We moved into this program somewhat slowly so that the people affected could make or adjust their personal retirement plans to it. We are now set up so that we can let people know several years in advance when they will be eligible for retirement and can work and counsel with them in planning for it.

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S-E-C-R-E-T

2 August 1962

Honorable David E. Bell  
Director  
Bureau of the Budget  
Washington, D. C.

Dear Mr. Bell:

In accordance with Bureau of the Budget Circular A-19, revised, there are enclosed four copies of a draft bill, "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." This bill is submitted for clearance by the Bureau of the Budget prior to submission to the Congress. Also enclosed are copies of the explanation and justification which are necessarily classified SECRET, together with proposed letters of transmittal to the President of the Senate and the Speaker of the House.

The proposed legislation would authorize the Director of Central Intelligence to establish a retirement and disability system corresponding to that available to Foreign Service Officers for certain limited numbers of Agency employees. We have studied most carefully the subject of an appropriate retirement program for these employees and have concluded that the proposed bill would fulfill our requirements. Consequently, I consider its enactment into law essential to the effective performance of our mission.

I am aware of the normal procedures required in the processing of proposed legislation. I believe this bill warrants special consideration and I urgently request you to give this matter high priority since we are hopeful of having legislation introduced and passed in this session of the Congress. If there is any additional information needed or if there is any way this Agency can assist in your consideration of the proposed bill, I assure you of our willingness to cooperate in every way possible.

Sincerely,

/s/

John A. McCone  
Director

Enclosures - 4

S-E-C-R-E-T

**SECRET**



**CENTRAL INTELLIGENCE AGENCY**

**WASHINGTON 25, D. C.**

**OFFICE OF THE DIRECTOR**

7 August 1962

Honorable David E. Bell  
Director  
Bureau of the Budget  
Washington 25, D. C.

Dear Mr. Bell:

In his letter to you of 2 August 1962, the Director of Central Intelligence submitted for clearance by the Bureau of the Budget a draft bill "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." Enclosed as Attachment 1 is an estimate of the costs of the proposed legislation prepared by the Agency after discussion with persons experienced in the field in the Department of State and the Civil Service Commission.

For your assistance in considering the proposed bill, there is enclosed, as Attachment 2, a chart which is a comparison of the pertinent provisions of the Foreign Service Retirement System and the Civil Service Retirement Act. This chart is based on a similar chart appearing in the Report of the House Committee on Foreign Affairs in the 2nd session of the 86th Congress. The chart was prepared at that time in connection with proposed amendments to the Foreign Service Act of 1946, as amended, relating to the retirement system which proposals were subsequently enacted into law. Enclosed as Attachment 3 are selected cases which illustrate the annuities payable in various situations under the Foreign Service Retirement System as contrasted with the Civil Service Retirement Act.

As a matter of additional information, the total number of Agency employees serving abroad under various cover situations ranging from

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An approximately equal number of Agency employees at headquarters are available for assignment to these positions abroad either on a rotational basis or as replacements. It is the people in this composite group of over [REDACTED] members who are obligated to serve anywhere in the world as in the Foreign Service and in the military services. It is basically from this group that individuals will be selected as

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qualified under the Agency criteria to come within the proposed retirement system. Simply serving a tour abroad will not automatically or of itself qualify an individual for coverage under the new system. Of the total group, we have estimated that a maximum of only [REDACTED] will demonstrate the required career orientation and fully satisfy the eligibility criteria. This reflects the Agency concept of strict application of the criteria.

I would like to express my appreciation for the efforts of your office in assisting the Agency and the prompt attention which our request has received.

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Faithfully yours,  
[REDACTED]

Marshall S. Carter  
Lieutenant General, USA  
Acting Director

Enclosures - 3

Att 1  
Att 2  
Att 3

**SECRET**

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON 25, D.C.

AUG 13 1962

Honorable John A. McCone  
Director of Central Intelligence  
Central Intelligence Agency  
Washington 25, D. C.

Dear Mr. McCone:

This is in reply to your request of August 2, 1962, for advice on a draft of a bill "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes."

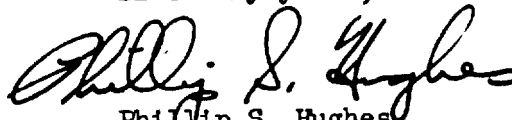
A change in the proposed Section 4 is recommended in order to define the provisions of the Foreign Service Act of 1946, as amended, to be extended to the authority of the Director of Central Intelligence. This change has been discussed with and agreed to by your staff.

In discussions with your staff, agreement has been reached that, subsequent to enactment of any legislation along the lines of your draft bill, agency regulations for the operation of the retirement and disability system and agency criteria for selection of officers and employees to be eligible for coverage under the system, will be submitted to the Bureau of the Budget for approval prior to activation of the system.

It was also agreed that, whenever the Administration seeks uniform legislation covering retirement and related provisions for personnel engaged in foreign operations, CIA will be included in such a comprehensive system.

Subject to the above, the Bureau of the Budget advises that there would be no objection to the presentation of your proposed draft bill from the standpoint of the Administration's program.

Sincerely yours,



Philip S. Hughes  
Assistant Director for  
Legislative Reference

S-E-C-R-E-T

14 August 1962

Honorable Carl Vinson  
Chairman, House Armed Services Committee  
House of Representatives  
Washington, D. C.

Dear Mr. Vinson:

Recently I spoke to you about the possibility of submitting legislation to the Congress in this session relating to an improved retirement program for certain limited numbers of Agency employees. Since that time, the Bureau of the Budget has studied our proposal intensively. We were advised yesterday that the Bureau of the Budget would have no objection to the presentation of a proposed bill from the standpoint of the Administration's program.

I have today written to the President of the Senate and the Speaker of the House transmitting copies of the draft bill and am enclosing copies of these letters for your information. In addition, I am attaching an "Explanation and Justification" of this proposed bill which is necessarily classified SECRET. The classified portions of the text are enclosed in brackets. Deletion of the classified material would make available appropriate material for inclusion in a Committee report.

Your cooperation will be appreciated since I believe this matter has considerable urgency. Please advise if I can provide any additional information or be of any possible assistance.

Sincerely,

John A. McCone  
Director

Enclosures - 3

Distribution:

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1 - DD/S	

S-E-C-R-E-T

14 August 1962

Honorable John W. McCormack  
Speaker of the House of Representatives  
Washington, D. C.

Dear Mr. Speaker:

This letter transmits for the consideration of the Congress a proposed amendment to the Central Intelligence Agency Act of 1949, as amended. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly motivated careerists who are intensively trained in unique skills. However, the Agency is unable in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for a limited number of Agency employees.

Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in a single Title of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, which is entitled "The Foreign Service Retirement and Disability System," it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence

Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency Employees the authority available to the Secretary of State for the purpose of having Agency Employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration. The Bureau of the Budget has advised that there is no objection to the presentation of the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

John A. McCone  
Director

Enclosure

Distribution:

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1 - ExDir  
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S-E-C-R-E-T

14 August 1962

Honorable Richard B. Russell  
Chairman, Senate Armed Services Committee  
United States Senate  
Washington, D. C.

Dear Senator Russell:

Recently I spoke to you about the possibility of submitting legislation to the Congress in this session relating to an improved retirement program for certain limited numbers of Agency employees. Since that time, the Bureau of the Budget has studied our proposal intensively. We were advised yesterday that the Bureau of the Budget would have no objection to the presentation of a proposed bill from the standpoint of the Administration's program.

I have today written to the President of the Senate and the Speaker of the House transmitting copies of the draft bill and am enclosing copies of these letters for your information. In addition, I am attaching an "Explanation and Justification" of this proposed bill which is necessarily classified SECRET. The classified portions of the text are enclosed in brackets. Deletion of the classified material would make available appropriate material for inclusion in a Committee report.

Your cooperation will be appreciated since I believe this matter has considerable urgency. Please advise if I can provide any additional information or be of any possible assistance.

Sincerely,

John A. McCone  
Director

Enclosures - 3

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S-E-C-R-E-T



14 August 1962

Honorable Lyndon B. Johnson  
President of the Senate  
Washington, D. C.

Dear Mr. Johnson:

This letter transmits for the consideration of the Congress a proposed amendment to the Central Intelligence Agency Act of 1949, as amended. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly motivated careerists who are intensively trained in unique skills. However, the Agency is unable in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for a limited number of Agency employees.

Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in a single Title of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, which is entitled "The Foreign Service Retirement and Disability System," it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence

Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency Employees the authority available to the Secretary of State for the purpose of having Agency Employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration. The Bureau of the Budget has advised that there is no objection to the presentation of the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

John A. McCone  
Director

Enclosure

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30 AUG 1962

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A B I L L

To amend the Central Intelligence Agency Act of 1949, as amended, and  
for other purposes.

Be it enacted by the Senate and House of Representatives of the  
United States of America in Congress assembled, That this Act may be  
cited as the "Central Intelligence Agency Act Amendments of 1962." 3

Sec. 2. The Central Intelligence Agency Act of 1949, as amended

(50 U.S.C. 403(a) et seq.), is further amended as follows:

*Insert (1)(2)* → (1)(3) In section 4 add the following new paragraphs (1)(G) and (1)(H), and  
(8):

R + R

"(1)(G) Pay the travel expenses of officers and employees of the  
Agency and members of their families, while serving at posts specifically  
designated by the Director for purposes of this paragraph, for rest and  
recuperation to other locations abroad having different environmental  
conditions than those at the post at which such officers and employees  
are serving, provided that such travel expenses shall be limited to the  
cost for each officer or employee and members of his family of one round  
trip during any continuous two-year tour unbroken by home leave and two  
round trips during any continuous three-year tour unbroken by home leave."

*TDY travel of  
dependents*

"(1)(H) Pay the travel expenses of members of the family  
accompanying, preceding, or following an officer or employee if, while

he is enroute to his post of assignment, he is ordered temporarily for orientation and training or is given other temporary duty;"

*Training for dependents*

"(8) Provide appropriate orientation and language training to members of family of officers and employees of the Agency in anticipation of the assignment abroad of such officers and employees, or while abroad."

*(2)* Amend section 4 (3) (A) to read as follows:

*Home leave 18 months*

"(3) (A) Order to any of the several States of the United States of America (including the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States) on statutory leave of absence each officer or employee of the Agency who was a resident of the United States (as described above) at the time of employment, upon completion of three years' continuous service abroad or as soon as possible thereafter and may so order after completion of eighteen months such service."

*(5)*  
*(3)* Amend section 4 (5) by striking out subsections (A) and (C) and inserting in lieu thereof the following new paragraphs (A) and (C):

*Medical care - Travel for employees and dependents*

"(A) In the event an officer or employee of the Agency or one of his dependents, requires medical care, for illness or injury not the result of vicious habits, intemperance or misconduct, while on assignment abroad in a locality where there is no qualified person or facility to provide

such care, pay the travel expenses of such person by whatever means he shall deem appropriate, including the furnishing of transportation, and without regard to the Standardized Government Travel Regulations and section 10 of the Act of March 3, 1933, as amended (60 Stat. 808; 5 U.S.C. 73b), to the nearest locality where suitable medical care can be obtained and on his recovery pay for the travel expenses of his return to his post of duty. If any such officer, employee, or dependent is too ill to travel unattended, or in the case of a dependent too young to travel alone, the Director may also pay the round-trip expenses of an attendant or attendants."

*Medical care - employees* "(C) (i) In the event of illness or injury requiring hospitalization or similar treatment of an officer or employee of the Agency, not the result of vicious habits, intemperance, or misconduct on his part, pay for the cost of treatment of such illness or injury.

*Medical care - dependents* "(ii) In the event a dependent of an officer or employee of the Agency who is stationed abroad, incurs an illness or injury while such dependent is located abroad, which requires hospitalization or similar treatment, and which is not the result of vicious habits, intemperance, or misconduct on his part, pay for that portion of the cost of treatment of each such illness or injury that exceeds \$35 up to a maximum limitation of one hundred and twenty days of treatment for each such illness or injury, except that such maximum limitation shall not apply whenever the Director, on the basis of

professional medical advice, shall determine that such illness or injury clearly is caused by the fact that such dependent is or has been located abroad."

(6)

(4) In section 5, add the following new paragraphs (g) and (h), (i) and (j):

Re-employment  
rights

"(g) Where an officer or employee of another Government agency transfers with the consent of such agency and is appointed to a position in the Agency, such an officer or employee shall be entitled upon separation from the Agency, to reinstatement to the position occupied at the time of appointment or to a position of comparable salary in such other Government agency."

Severance  
pay  
Insert

(4)

"(h) Paragraph (4) of section 104 (a) of the Internal Revenue Code of 1954 (26 U.S.C. 104 (a)(4)) (relating to the exclusion from gross income of compensation for injuries and sickness) is hereby amended to read as follows:

"(4) amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country or in the Coast and Geodetic Survey or the Public Health Service, or as a disability annuity payable under the provisions of section 831 of the Foreign Service Act of 1946, as amended (22 U.S.C. 1081; 60 Stat. 1021), or as a disability annuity payable under Title II of the Central Intelligence Agency Act of 1949, as amended (50 U.S.C. 403 (a) et seq.).

Insert  
Overseas Claims  
authority (J)

Sec. 3. <sup>(1)</sup> Insert the heading "TITLE I -- Definitions and General

Authorities" before the section title, "Definitions," of section 1 of the

Central Intelligence Agency Act of 1949, as amended, ~~and amend~~

~~sections 1, 2, 9 and 10 to read~~  
Sec. 4. The Central Intelligence Agency Act of 1949, as amended,

is further amended by the addition of TITLE II as follows:

" TITLE II -- THE CENTRAL INTELLIGENCE AGENCY

RETIREMENT AND DISABILITY

SYSTEM

"Part A -- Establishment of System

"Rules and Regulations

"Sec. 201. (a) The Director may prescribe rules and regulations for the establishment and maintenance of a Central Intelligence Agency Retirement and Disability System, referred to hereafter as the System.

"(b) The Director shall administer the System in accordance with such rules and regulations and with the principles established by this Act.

"Maintenance of Fund

"Sec. 202. The Secretary of the Treasury shall maintain the special fund, known as the Central Intelligence Agency Retirement and Disability Fund, referred to hereafter as the Fund.

"Participants

"Sec. 203. The Director may designate from time to time such Agency officers and employees, hereafter referred to as Participants, who shall be entitled to the benefits of the System.

"Annuitants

"Sec. 204. (a) Annuitants shall be persons who are receiving annuities from the Fund and all persons, including surviving wives and husbands, widows, dependent widowers, children and beneficiaries of participants or annuitants who shall become entitled to receive annuities in accordance with the provisions of this Act.

"(b) When used in this title the term --

"(1) "Widow" means the surviving wife of a participant who was married to such participant for at least two years immediately preceding his death or is the mother of issue by such marriage.

"(2) "Dependent widower" means the surviving husband of a participant who was married to such participant for at least two years immediately preceding her death or is the father of issue by such marriage, and who is incapable of self-support by reason of mental or physical disability, and who received more than one-half of his support from such participant.

"(3) "Child" means an unmarried child, under the age of eighteen years, or such unmarried child regardless of age who because of physical or mental disability incurred before age eighteen is incapable of self-support. In addition to the offspring of the participant and his or her spouse the term includes (a) an adopted child, and (b) a step-child or recognized natural child who received more than one-half of his support from the participant.



"Part B - Compulsory Contributions

"Sec. 211. (a) Six and one-half per centum of the basic salary received by each participant shall be contributed to the Fund for the payment of annuities, cash benefits, refunds, and allowances. An equal sum shall also be contributed from the respective appropriation or fund which is used for payment of his salary. The amounts deducted and withheld from basic salary together with the amounts so contributed from the appropriation or fund, shall be deposited by the Central Intelligence Agency in the Treasury of the United States to the credit of the Fund.

"(b) Each participant shall be deemed to consent and agree to such deductions from basic salary, and payment less such deductions shall be a full and complete discharge and acquittance of all claims and demands whatsoever for all regular services during the period covered by such payment, except the right to the benefits to which he shall be entitled under this Act, notwithstanding any law, rule, or regulation affecting the individual's salary.

"Part C -- Computation of Annuities

"Sec. 221. (a) The annuity of a participant shall be equal to 2 per centum of his average basic salary for the highest five consecutive years of service, for which full contributions have been made to the Fund, multiplied by the number of years, not exceeding thirty-five, of service credit obtained in accordance with the provisions of sections 251 and 252. In determining the aggregate period of service upon which the annuity is to be based, the fractional part of a month, if any, shall not be counted.

"(b) At the time of retirement, any married participant may elect to receive a reduced annuity and to provide for an annuity payable to his wife or her husband, commencing on the date following such participant's death and terminating upon the death of such surviving wife or husband. The annuity payable to the surviving wife or husband after such participant's death shall be 50 per centum of the amount of the participant's annuity computed as prescribed in paragraph (a) of this section, up to the full amount of such annuity specified by him as the base for the survivor benefits. The annuity of the participant making such election shall be reduced by 2 1/2 per centum of any amount up to \$2,400 he specifies as the base for the survivor benefit plus 10 per centum of any amount over \$2,400 so specified.

"(c) (1) If an annuitant dies and is survived by a wife or husband and by a child or children, in addition to the annuity payable to the surviving wife or husband, there shall be paid to or on behalf of each child an annuity equal to the smallest of: (i) 40 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$600; or (iii) \$1,800 divided by the number of children.

"(2) If an annuitant dies and is not survived by a wife or husband but by a child or children, each surviving child shall be paid an annuity equal to the smallest of: (i) 50 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$720; or (iii) \$2,160 divided by the number of children.

"(d) If a surviving wife or husband dies or the annuity of a child is terminated, the annuities of any remaining children shall be recomputed and paid as though such wife, husband, or child had not survived the participant.

"(e) The annuity payable to a child under paragraph (c) or (d) of this section shall begin on the first day of the next month after the participant dies and such annuity or any right thereto shall be terminated

upon death, marriage, or attainment of the age of eighteen years, except that, if a child is incapable of self-support by reasons of mental or physical disability, the annuity shall be terminated only when such child dies, marries, or recovers from such disability.

(f) At the time of retirement an unmarried participant may elect to receive a reduced annuity and to provide for an annuity equal to 50 per centum of the reduced annuity payable after his or her death to a beneficiary whose name shall be designated in writing to the Director. The annuity payable to a participant making such election shall be reduced by 10 per centum of an annuity computed as provided in paragraph (a) of this section and by 5 per centum of an annuity so computed for each full five years the person designated is younger than the retiring participant, but such total reduction shall not exceed 40 per centum. No such election of a reduced annuity payable to a beneficiary shall be valid until the participant shall have satisfactorily passed a physical examination as prescribed by the Director. The annuity payable to a beneficiary under the provisions of this paragraph shall begin on the first day of the next month after the participant dies. Upon the death of the surviving beneficiary all payments shall cease and no further annuity payments authorized under this paragraph shall be due or payable.

"Part D -- Benefits Accruing to Certain Participants

"Retirement for Disability or Incapacity --

Physical Examination -- Recovery

"Sec. 231. (a) Any participant who has five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with provisions of section 251 or 252(a)(2), and who becomes totally disabled or incapacitated for useful and efficient service by reason of disease, illness, or injury not due to vicious habits, intemperance, or willful misconduct on his part, shall, upon his own application or upon order of the Director, be retired on an annuity computed as prescribed in section 221. If the disabled or incapacitated participant has <sup>5</sup>(less than twenty) years of service credit toward his retirement under the System at the time he is retired, his annuity shall be computed on the assumption that he has had twenty years of service, but the additional <sup>15 yrs</sup> service credit that may accrue to a participant under this provision shall in no case exceed the difference between his age at the time of retirement and the mandatory retirement age <sup>60-65</sup> applicable to his grade in the Agency.

"(b) In each case, the participant shall be given a physical examination by one or more duly qualified physicians or surgeons designated by the Director to conduct examinations, and disability shall be determined by the Director on the basis of the advice of such physicians or surgeons. Unless the disability is permanent, like examinations shall be made annually until the annuitant has reached the statutory mandatory retirement age for his grade

in the Agency. If the Director determines, on the basis of the advice of one or more duly qualified physicians or surgeons conducting such examinations that an annuitant has recovered to the extent that he can return to duty, the annuitant may apply for reinstatement or reappointment in the Agency within one year from the date his recovery is determined. Upon application the Director may reinstate any such recovered disability annuitant in the class in which he was serving at time of retirement, or the Director may, taking into consideration the age, qualifications, and experience of such annuitant, and the present class of his contemporaries in the Agency, appoint him to a grade higher than the one in which he was serving prior to retirement. Payment of the annuity shall continue until a date six months after the date of the examination showing recovery or until the date of reinstatement or reappointment in the Agency, whichever is earlier. Fees for examinations under this provision, together with reasonable traveling and other expenses incurred in order to submit to examination, shall be paid out of the Fund. If the annuitant fails to submit to examination as required under this section, payment of the annuity shall be suspended until continuance of the disability is satisfactorily established.

"(c) If a recovered disability annuitant whose annuity is discontinued is for any reason not reinstated or reappointed in the Agency, he shall be considered to have been separated within the meaning of section 234 as of the date he was retired for disability and he shall, after the discontinuance of the disability annuity, be entitled to the benefits of that section or of section

241(a) except that he may elect voluntary retirement in accordance with the provisions of section 233 if he can qualify under its provisions.

"(d) No participant shall be entitled to receive an annuity under this Act and compensation for injury or disability to himself under the Federal Employees' Compensation Act of September 7, 1916, as amended, covering the same period of time. This provision shall not bar the right of any claimant to the greater benefit conferred by either Act for any part of the same period of time. Neither this provision nor any provision of the Act of September 7, 1916, as amended, shall be so construed as to deny the right of any person to receive an annuity under this Act by reason of his own services and to receive concurrently any payment under such Act of September 7, 1916, as amended, by reason of the death of any other person.

"(e) Notwithstanding any provision of law to the contrary, the right of any person entitled to an annuity under this Act shall not be effected because such person has received an award of compensation in a lump sum under section 14 of the Act of September 7, 1916, as amended, except that where such annuity is payable on account of the same disability for which compensation under such section has been paid, so much of such compensation as has been paid for any period extended beyond the date such annuity becomes effective, as determined by the Secretary of Labor, shall be refunded to the Department of Labor, to be paid into the Federal Employees' Compensation Fund. Before such person shall receive such annuity he shall (1) refund to the Department of Labor the amount representing such

computed payments for such extended period, or (2) authorize the deduction of such amount from the annuity payable to him under this Act, which amount shall be transmitted to such Department for reimbursement to such Fund. Deductions from such annuity may be made from accrued and accruing payments, or may be prorated against and paid from accruing payments in such manner as the Secretary of Labor shall determine, whenever he finds that the financial circumstances of the annuitant are such as to warrant such deferred refunding.



"Death in Service

" Sec. 232. (a) In case a participant dies and no claim for annuity is payable under the provisions of this Act, his contributions to the Fund, with interest at the rates prescribed in sections 241 (a) and 281 (a), shall be paid in the order of precedence shown in section 241 (b).

" (b) If a participant, who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a) (2), dies before separation or retirement from the Agency and is survived by a widow or a dependent widower, as defined in section 204, such widow or dependent widower shall be entitled to an annuity equal to 50 per centum of the annuity computed in accordance with the provisions of paragraph (e) of this section and of section 221 (a). The annuity of such widow or dependent widower shall commence on the date following death of the participant and shall terminate upon death of the widow or dependent widower, or upon the dependent widower's becoming capable of self-support.

" (c) If a participant who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a) (2), dies before separation or retirement from the Agency and is survived by a wife or a husband and a child or children, each surviving child shall be entitled to an annuity computed in accordance with the

provisions of section 221(c)(1). The child's annuity shall begin and be terminated in accordance with the provisions of section 221(e). Upon the death of the surviving wife or husband or termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though such wife or husband or child had not survived the participant.

"(d) If a participant who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the Agency and is not survived by a wife or husband, but by a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 221(c)(2). The child's annuity shall begin and terminate in accordance with the provisions of section 221(e). Upon termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though that child had never been entitled to the benefit.

"(e) If, at the time of his or her death, the participant had less than twenty years of service credit toward retirement under the System, the annuities payable in accordance with paragraph (b) of this section shall be computed in accordance with the provisions of section 221 on the assumption he or she has had twenty years of service, but the additional service credit that may accrue to a deceased participant under this provision

shall in no case exceed the difference between his or her age on the date of death and the mandatory retirement age applicable to his or her grade in the Agency. In all cases arising under paragraphs (b), (c), (d), or (e) of this section, it shall be assumed that the deceased participant was qualified for retirement on the date of his death.

"Voluntary Retirement

"Sec. 233. Any participant in the Central Intelligence Agency Retirement and Disability System who is at least fifty years of age and has ~~rendered~~ twenty years of service <sup>credit toward retirement under</sup> may on his own application and <sup>the</sup> ~~system~~ with the consent of the Director be retired from the Agency and receive benefits in accordance with the provisions of section 221.

"Discontinued Service Retirement

"Sec. 234. (a) Any participant who separates from the Agency after obtaining at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a) (2), may, upon separation from the Agency or at any time prior to becoming eligible for an annuity, elect to have his contributions to the Fund returned to him in accordance with the provisions of section 241, or (except in cases where the Director determines that separation was based in whole or in part on the ground of disloyalty to the United States) to leave his contributions in the Fund and receive an annuity, computed as prescribed in section 221, commencing at the age of sixty years.

"(b) If a participant who has qualified in accordance with the provisions of paragraph (a) of this section to receive a deferred annuity commencing at the age of sixty dies before reaching the age of sixty his contributions to the Fund, with interest, shall be paid in accordance with the provisions of sections 241 and 281.

"(c) The Director may in his discretion retire participants in Grade GS-14 and above to promote the efficiency of the Agency and they shall receive retirement benefits in accordance with the provisions of section 221.

"(d) The Director may in his discretion retire participants in Grade GS-13 and below to promote the efficiency of the Agency and each such officer shall receive--

"(1) one-twelfth of a year's salary at his then current salary rate for each year of service and proportionately for a fraction of a year, but not exceeding a total of one year's salary at his then current salary rate, payable without interest, from the Central Intelligence Agency Retirement and Disability Fund, in three equal installments on the 1st day of January following the officer's retirement and on the two anniversaries of this date immediately following: Provided, That in special cases, the Director may in his discretion accelerate or combine the installments; and

"(2) a refund of the contributions made to the Central Intelligence Agency Retirement and Disability Fund, with interest as provided in section 241 (a), except that in lieu of such refund such officer, if he has at least five years of service credit toward retirement under the Central Intelligence Agency Retirement and Disability System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a), may elect to receive retirement benefits on reaching the age of sixty in accordance with the provisions of section 221. In the event that an officer who was separated from Grade GS-13 or GS-12 and who has elected to receive retirement benefits dies

before reaching the age of sixty, his death shall be considered a death in service within the meaning of section 232. In the event that an officer who was separated from Grade GS-11 or below and who has elected to receive retirement benefits dies before reaching the age of sixty, the total amount of his contributions made to the Central Intelligence Agency Retirement and Disability Fund, with interest as provided in section 241(a), shall be paid in accordance with the provisions of section 241 (b).

"(e) Notwithstanding the provisions of section 3477 of the Revised Statutes, as amended (31 U.S.C. 203) or the provisions of any other law, an Agency officer who is retired in accordance with the provisions of section 234 (d) shall have the right to assign to any person or corporation the whole or any part of the benefits receivable by him pursuant to paragraph (d) (1) of this section. Any such assignment shall be on a form approved by the Secretary of the Treasury and a copy thereof shall be deposited with the Secretary of the Treasury by the officer executing the assignment.

"Mandatory Retirement for Age

"Sec. 235. (a) Any participant in the System in Grade GS-18 or above, shall upon reaching the age of sixty-five, be retired from the Agency and receive retirement benefits in accordance with the provisions of section 221, but whenever the Director shall determine it to be in the public interest, he may extend such an officer's service for a period not to exceed five years.

"(b) Any participant in the System, other than in Grade GS-18 or above, shall upon reaching the age of sixty, be retired from the Agency and receive retirement benefits in accordance with the provisions of section 221, but whenever the Director shall determine it to be in the public interest, he may extend such an officer's service for a period not to exceed five years.



"Part E -- Disposition of Contributions and Interest in Excess of  
Benefits Received

"Sec. 241. (a) Whenever a participant becomes separated from the Agency without becoming eligible for an annuity or a deferred annuity in accordance with the provisions of this Act, the total amount of contributions from his salary with interest thereon at 4 per centum per annum, compounded annually as of December 31, and proportionately for the period served during the year of separation including all contributions made during or for such period, except as provided in section 281, shall be returned to him.

"(b) In the event that the total contributions of a retired participant, other than voluntary contributions made in accordance with the provisions of section 281, with interest at 4 per centum per annum compounded annually as is provided in paragraph (a) of this section added thereto, exceed the total amount returned to such participant or to an annuitant claiming through him, in the form of annuities, accumulated at the same rate of interest up to the date the annuity payments cease under the terms of the annuity, the excess of the accumulated contributions over the accumulated annuity payments shall be paid in the following order of precedence, upon the establishment of a valid claim therefor, and such payment shall be a bar to recovery by any other person:

"(1) To the beneficiary or beneficiaries designated by the retired participant in writing to the Director;

"(2) If there be no such beneficiary, to the surviving wife or husband of such participant;

"(3) If none of the above, to the child or children of such participant, and descendants of deceased children by representation;

"(4) If none of the above, to the parents of such participant or the survivor of them;

"(5) If none of the above, to the duly appointed executor or administrator of the estate of such participant;

"(6) If none of the above, to other next of kin of such participant as may be determined by the Director in his judgment to be legally entitled thereto.

"(c) No payment shall be made pursuant to paragraph (b) (6) of this section until after the expiration of thirty days from the death of the retired participant or his surviving annuitant.

"Part F -- Period for Service for Annuities

"Computation of Length of Service

"Sec. 251. For the purposes of this title, the period of service of a participant shall be computed from the date he becomes a participant under the provisions of this Act, but all periods of separation from the Agency and so much of any leaves of absence without pay as may exceed six months in the aggregate in any calendar year shall be excluded, except leaves of absence while receiving benefits under the Federal Employees' Compensation Act of September 7, 1916, as amended, and leaves of absence granted participants while performing active and honorable military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States.

"Prior Service Credit

"Sec. 252. (a) A participant may, subject to the provisions of this section, include in his period of service --

"(1) civilian service in the executive, judicial, and legislative branches of the Federal Government and in the District of Columbia government, prior to becoming a participant; and

"(2) active and honorable military or naval service in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States.

"(b) A person may obtain prior civilian service credit in accordance with the provisions of paragraph (a) (1) of this section by making a special contribution to the Fund equal to 5 per centum of his basic annual salary for each year of service for which credit is sought prior to November 8, 1960, and at 6 1/2 per centum thereafter with interest compounded annually at 4 per centum per annum to the date of payment. Any such person may, under such conditions as may be determined in each instance by the Director, pay such special contributions in installments.

"(c)(1) If an officer or employee under some other Government retirement system, becomes a participant in the System by direct transfer, such officer or employee's total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to <sup>and credited</sup> the Fund effective as of the date such officer or employee becomes a participant in the System. Each such officer or employee shall be deemed

to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the other Government retirement fund on account of service rendered prior to becoming a participant in the System.

"(2) No officer or employee, whose contributions are transferred to the Fund in accordance with the provisions of paragraph (c)(1) of this section, shall be required to make contributions in addition to those transferred, for periods of service for which full contributions were made to the other Government retirement fund, nor shall any refund be made to any such officer or employee on account of contributions made during any period to the other Government retirement fund, at a higher rate than that fixed by section 211 of this Act for contributions to the Fund.

"(3) No officer or employee, whose contributions are transferred to the Fund in accordance with the provisions of paragraph (c)(1) of this section, shall receive credit for periods of service for which a refund of contributions has been made, or for which no contributions were made to the other Government retirement fund. A participant may, however, obtain credit for such prior service by making a special contribution to the Fund in accordance with the provisions of paragraph (b) of this section.

"(d) No participant may obtain prior civilian service credit toward retirement under the System for any period of civilian service on the basis of which he is receiving or will in the future be entitled to receive any annuity

under another retirement system covering civilian personnel of the Government.

"(e) A participant may obtain prior military or naval service credit in accordance with the provisions of paragraph (a) (2) of this section by applying for it to the Director prior to retirement or separation from the Agency. However, in the case of a participant who is eligible for and received retired pay on account of military or naval service, the period of service upon which such retired pay is based shall not be included, except that in the case of a participant who is eligible for and receives retired pay on account of a service-connected disability incurred in combat with an enemy of the United States or caused by an instrumentality of war and incurred in line of duty during a period of war (as that term is used in chapter 11 of title 38, United States Code), or is awarded under chapter 67 of title 10 of the United States Code, the period of such military or naval service shall be included. No contributions to the Fund shall be required in connection with military or naval service credited to a participant in accordance with the provisions of paragraph (a) (2) of this section.

"Credit for Service While on Military Leave

"Sec. 254. Contributions shall not be required covering periods of leave of absence from the Agency granted a participant while performing active military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States.

'Part G -- Moneys

" Estimate of Appropriations Needed

"Sec. 261. The Secretary of the Treasury shall prepare the estimates of the annual appropriations required to be made to the Fund, and shall make actuarial valuations of such funds at intervals of five years, or oftener if deemed necessary by him. The Director may expend from money to the credit of the Fund (an amount not exceeding \$5,000 per annum) for the incidental expenses necessary in administering the provisions of this title, including actuarial advice.

" Investment of Moneys in the Fund

"Sec. 262. The Secretary of the Treasury shall invest from time to time in interest-bearing securities of the United States such portions of the Fund as in his judgment may not be immediately required for the payment of annuities, cash benefits, refunds, and allowances, and the income derived from such investments shall constitute a part of such Fund.

" Attachment of Moneys

"Sec. 263. None of the moneys mentioned in this title shall be assignable either in law or equity, or be subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 234 (e).



"Part H -- Annuitants Recalled, Reinstated or Reappointed in  
the Service or Reemployment in the Government

"Recall

"Sec. 271. (a) The Director may recall any annuitant to duty in the Agency whenever he shall determine such recall is in the public interest.

"(b) Any annuitant recalled to duty in the Agency or reinstated or reappointed in accordance with the provisions of section 231 (b) shall, while so serving, be entitled in lieu of his annuity to the full salary of the grade in which he is serving. During such service, he shall make contributions to the Fund in accordance with the provisions of section 211. When he reverts to his retired status, his annuity shall be determined anew in accordance with the provisions of section 221.

"Reemployment Compensation

"Sec. 272. (a) Notwithstanding any other provision of law, any officer or employee of the Agency, who has retired under this Act, as amended, and is receiving an annuity pursuant thereto, and who is reemployed in the Federal Government service in any appointive position either on a part-time or full-time basis, shall be entitled to receive the salary of the position in which he is serving plus so much of his annuity payable under this Act, as amended, which when combined with such salary does not exceed during any calendar year the basic salary such officer or employee was entitled to receive on the date of his retirement from the Agency. Any such reemployed officer or employee who receives salary during any calendar year in excess of the maximum amount which he may be entitled to receive under this paragraph shall be entitled to such salary in lieu of benefits thereunder.

"(b) When any such retired officer or employee of the Agency is reemployed, the employer shall send a notice to the Central Intelligence Agency of such reemployment together with all pertinent information relating thereto, and shall pay directly to such officer or employee the salary of the position in which he is serving.

"(c) In the event of any overpayment under this section, such overpayment shall be recovered by withholding the amount involved from the salary payable to such reemployed officer or employee, or from any other moneys, including his annuity, payable in accordance with the provisions of this title.

"Reemployment

"Sec. 273. Notwithstanding the provisions of title 5, United States Code, section 62, and title 5, United States Code, section 715a, an Agency officer or employee heretofore or hereafter retired under the provisions of this Act shall not, by reason of his retired status, be barred from employment in Federal Government service in any appointive position for which he is qualified. An annuitant so reemployed shall serve at the will of the appointing officer.

"Part I -- Voluntary Contributions

"Sec. 281. (a) Any participant may, at his option and under such regulations as may be prescribed by the Director, deposit additional sums in multiples of 1 per centum of his basic salary, but not in excess of 10 per centum of such salary, which amounts together with interest at 3 per centum per annum, compounded annually as of December 31, and proportionately for the period served during the year of his retirement, including all contributions made during or for such period, shall, at the date of his retirement and at his election, be --

" (1) returned to him in lump sum; or

" (2) used to purchase an additional life annuity; or

" (3) used to purchase an additional life annuity for himself and to provide for a cash payment on his death to a beneficiary whose name shall be notified in writing to the Director by the participant; or

" (4) used to purchase an additional life annuity for himself and a life annuity commencing on his death payable to a beneficiary whose name shall be notified in writing to the Director by the participant with a guaranteed return to the beneficiary or his legal representative of an amount equal to the cash payment referred to in paragraph 3.

" (b) The benefits provided by subparagraphs 2, 3, or 4 of paragraph (a) of this section shall be actuarially equivalent in value to the payment provided for by paragraph (a) (1) of this section and shall be calculated

upon such tables of mortality as may be from time to time prescribed for this purpose by the Secretary of the Treasury.

"(c) In case a participant shall become separated from the Agency for any reason except retirement on an annuity, the amount of any additional deposits with interest at 3 per centum per annum, compounded as is provided in paragraph (a) of this section, made by him under the provisions of this paragraph shall be refunded in the manner provided in section 241 for the return of contributions and interest in the case of death or separation from the Agency.

"(d) Any benefits payable to an officer or to his beneficiary in respect to the additional deposits provided under this paragraph shall be in addition to the benefits otherwise provided under this title. "

EARLY RETIREMENT PROPOSAL

The purpose of the proposed legislation (HR 12923) is to make available to limited numbers of Agency employees a retirement system similar to that of the Foreign Service. The Agency has concluded that this system is urgently needed and basically fits our requirements.

Since Mr. McCone took over, he has conducted a thorough review of Agency management and personnel. While the Director has found that the people in the Agency are of unusual competence and dedication, the nature of the work involved in our operations calls for a young and resilient group of employees. A certain percentage of people will not be able to look forward to a full working career of 30 or more years.

Those Agency employees affected are obligated to serve anywhere in the world as in the Foreign Service and the military and unlike the normal Civil Service employee. The Civil Service Retirement Act is not designed for such people. The Foreign Service retirement system has been developed over the years to meet the needs of a service consisting of people who are required and do spend the major part of their careers abroad. Consequently, we believe that adopting a system similar to the Foreign Service will fulfill our needs. This system will enable us to keep a younger service by retiring people earlier and giving them a more equitable annuity.

We are just finishing an Agency reduction-in-force program involving about 150 people. These were occupationally surplus, i.e., based on our specialized needs and in accord with our manpower alignments they were excess. This exercise has created considerable restiveness among some of our employees and we feel that a new program such as this will reassure this group that their dedication is being recognized by the provision of a more appropriate retirement system.

STATEMENT RE URGENCY OF ACTION ON EARLY RETIREMENT PROPOSAL

There have been several events in the past year or so which contribute to a sense of urgency in obtaining authority for an adequate retirement program for Agency personnel engaged in or supporting foreign intelligence operations.

Principal among these has been the morale impact of the Agency's current program for the separation of personnel made surplus through their inability to fulfill the requirements of mobility and universal assignability which are necessary for service in foreign intelligence operations. While a number of these people were reassigned to appropriate positions in other parts of the Agency and an additional number have located suitable employment elsewhere, there were still a significant number of individual cases in which a careerist in late middle age was, or is to be, released without adequate provision for his future. Such cases are well known to other careerists who are concerned that in a few years they too might find themselves in the same situation, a situation which our proposed retirement program is designed to overcome. Announcement of an early retirement program at this time would provide tangible evidence to employees of the Agency's determination to solve in a more humane fashion its manpower problems. On a broader scale, it would assure employees of concern at Agency and Government level for their welfare.

Another important factor arguing for immediate action on this proposal is its usefulness in our recruitment program. The Agency has experienced increasing difficulty in obtaining a sufficient number of promising young men and women to join its service on a career basis. Obviously, all of our difficulties are not attributable to deficiencies in our retirement program. However, we feel sure that one of these is a growing awareness among the body of potential candidates of the Agency's inability to provide full-term careers to many of its intelligence officers. Since recruitment at the college and university level for the 1963 graduate begins in the fall of the year, it is essential that action be taken on this proposal now if we are to realize its benefits in recruitment for the ensuing year.